



Title: I, Payroll/Personnel Manual

Chapter: 28, Section 2, Tax Formulas (TAXES)

Bulletin: TAXES 06-27, Iowa State Income Tax Withholding

Date: July 3, 2006

To: Holders of TAXES (State of Iowa only)
Personnel User Groups
T&A Contact Points in Iowa

Beginning with wages paid for Pay Period 13, the National Finance Center (NFC) will make the following changes to the state of Iowa income tax withholdings:

- The withholding table will change.
- The standard deduction for employees claiming zero to one personal allowance will increase from \$1,500 to \$1,650.
- The standard deduction for employees claiming two or more personal allowances will increase from \$3,600 to \$4,060.

No action on the part of the employee or the personnel office is necessary.

To view the updated tax formula, go to NFC's Home Page (www.nfc.usda.gov) and click **Pubs & Forms**. Then on the Pubs & Forms page left-hand menu, click **Tax Formulas** and select the appropriate state from the map provided. Changes to the tax formula are identified by "►◄".

For questions about NFC processing, contact the Payroll/Personnel Call Center at **504-255-4630**.

for

MARK J. HAZUDA, Director
Government Employees Services Division

Iowa State Income Tax Information

State Abbreviation: IA
State Tax Withholding State Code: 19
Acceptable Exemption Form: IA-W4 or W-4
Basis For Withholding: State Exemptions
Acceptable Exemption Data: 0 / Number of Allowances
TSP Deferred: Yes
Special Coding: Determine the Total Number Of Allowances Claimed field as follows:
First Position - Enter 0 (zero).
Second and Third Positions - Enter the number of allowances claimed.
Additional Information: None

Withholding Formula ►(Effective Pay Period 13, 2006)◄

1. Subtract the biweekly Thrift Savings Plan contribution from the gross biweekly wages.
2. Subtract the nontaxable biweekly Federal Health Benefits Plan payment(s) (includes flexible spending account - health care and dependent care deductions) from the amount computed in step 1.
3. Add the taxable biweekly fringe benefits (taxable life insurance, etc.) to the amount computed in step 2 to obtain the adjusted gross biweekly wages.
4. Multiply the adjusted gross biweekly wages times 26 to obtain the gross annual wages.
5. Multiply the biweekly Federal income tax withholding by 26 to obtain the annual Federal income tax withholding and subtract this amount from the gross annual wages computed in step 4.
6. Determine the standard deduction by applying the following guideline and subtract this amount from the result of step 5 to compute the taxable income.



**If the Number of
Allowances Claimed Is:**

0 or 1
2 or more

**The Standard
Deduction Is:**

\$ ►1,650◄
►4,060◄

7. Apply the taxable income computed in step 6 to the following table to determine the Iowa tax withholding.

Tax Withholding Table						
If the Amount of Taxable Income Is:		The Amount of Iowa Tax Withholding Should Be:				
Over:	But Not Over:					Of Excess Over:
\$ 0	\$  1,300	\$ 0.00	plus	0.36%		\$ 0
1,300	2,600	4.68	plus	0.72%		1,300
2,600	5,200	14.04	plus	2.43%		2,600
5,200	11,700	77.22	plus	4.50%		5,200
11,700	19,500	369.72	plus	6.12%		11,700
19,500	26,000	847.08	plus	6.48%		19,500
26,000	39,000	1,268.28	plus	6.80%		26,000
39,000	58,500	2,152.28	plus	7.92%		39,000
58,500	and over	3,696.68	plus	8.98%		58,500 

8. Determine the exemption allowance by applying the following guideline and subtract this amount from the result of step 7 to compute the annual Iowa tax withholding.

$$\text{Exemption Allowance} = \$40 \times \text{Number of Exemptions}$$

9. Divide the annual Iowa tax withholding by 26 and round to the nearest dollar to obtain the biweekly Iowa tax withholding.